

Summary of Laws and Regulations on Bank Indonesia

Regulation	: Bank Indonesia Regulation Number: 12/6/PBI/2010 – Repurchase Agreement Transaction on Chinese Yuan against Rupiah Securities of a Bank to Bank Indonesia
Effective Date	: April 7, 2010

Summary:

I. Background and Purpose

One of Bank Indonesia's duties is to manage the state's foreign exchange reserves which are inseparable from the measures to maintain and preserve the stability of rupiah exchange rate against foreign currencies, including foreign exchange serving as a foreign payment instrument required in the economic activities in the real sector. As one of the measures to reduce the dependency on a particular currency, Bank Indonesia has entered into a Bilateral Currency Swap Arrangement agreement with the People's Bank of China. Such agreement is expected to be able to assist foreign exchange liquidity management, specifically the needs for Chinese Yuan as well as to be able to provide a positive contribution to the economic activities and support Bank Indonesia's duty to maintain and preserve rupiah exchange rate. In this matter, Bank's role as an intermediary has become pivotal to the implementation mechanism of such agreement. In connection therewith, Bank Indonesia has issued Bank Indonesia Regulation No. 12/6/PBI/2010 dated April 7, 2010.

II. Basic provisions

A. CNY/IDR Repo transaction mechanism

1. The submission of the plan for the need of CNY of a Bank to Bank Indonesia is regulated as follows:
 - a. A Bank requiring CNY may submit CNY/IDR Repo to Bank Indonesia by first submitting the plan for the need of CNY to Bank Indonesia.
 - b. The plan for the need of CNY shall be submitted to Bank Indonesia through the Reuters Monitoring Dealing System (RMDS) every Wednesday at 09.00 Western Indonesia Time until 11.00 Western Indonesia Time. In the event that Wednesday is not a Business Day, the plan for the need of CNY may be submitted on 1 (one) subsequent Business Day.
 - c. The requirements for Banks for submitting CNY/IDR Repo are as follows:
 - i. at least having Composite Rating 3 (*PK-3*);
 - ii. having qualified Securities subject to repurchase agreement to Bank Indonesia with a minimum nominal value equivalent to the nominal value of the plan for the need of CNY by taking into account the Haircut; and
 - iii. having underlying international trade activities supported by sufficient documents. The type of financing with CNY denomination to be approved by BI shall only be international trade activities between

Indonesian companies and a Pilot Enterprise appointed by the Chinese government.

- d. The nominal value of CNY/IDR Repo submitted to Bank Indonesia shall be equal to the nominal value of the plan for the need of CNY and the maximum amount of which is equal to the nominal value of underlying international trade activities.

2. CNY/IDR Repo Transaction of a Bank to Bank Indonesia

- a. Bank Indonesia shall open CNY/IDR Repo Window Time within 5 (five) Business Days following the day of submission of plan for the need of CNY at 13.00 -14.00 Western Indonesia Time. The submission of CNY/IDR Repo Transaction must be based on the submission of plan for the need of CNY submitted previously to Bank Indonesia. The submission of CNY/IDR Repo to Bank Indonesia shall be conducted bilaterally between the Bank and Bank Indonesia through the Reuters Monitoring Dealing System (RMDS).
- b. The Securities subject to repurchase agreement shall comprise Bank Indonesia Certificates (SBI), Bank Indonesia Sharia Certificates (SBIS), Sovereign Debt Securities (SUN), and Sovereign Syariah Securities (SBSN) fulfilling particular requirements.
- c. Bank Indonesia shall announce:

- i. Repo Rate and Tenor of CNY/IDR Repo transaction through Reuters or other means of communication if Reuters has a trouble;
 - ii. Securities price and Haircut, which may be viewed in BI-SSSS;
 - iii. CNY/IDR exchange rate, which may be viewed on BIXY Reuters page.
 - d. The Bank submitting CNY/IDR Repo transaction shall be prohibited from cancelling the transaction and/or changing the information submitted to Bank Indonesia.
3. Provisions related to tenure, repo rate, haircut, Securities coupon.
- a. The tenure of CNY/IDR Repo shall be 1 month and/or 3 months.
 - b. Underlying documents of international trade activities must be administered by the Bank.
 - c. The Securities coupons subject to repurchase agreement in CNY/IDR Repo transaction shall be entitled to the Bank conducting CNY/IDR Repo transaction.
 - d. Bank Indonesia shall determine the haircut on the securities for repurchase agreement and the repo rate.

B. CNY/IDR Repo transaction settlement mechanism

- 1. Banks must settle CNY/IDR Repo transactions by repurchasing the Securities in the equal value to the repurchase value on the maturity

date. In relation to the securities repurchase, Banks must transfer CNY fund in the equal value to the repurchase value to Bank Indonesia's account in correspondent bank designated by Bank Indonesia.

2. In the event that a Bank is not able to return CNY funds on the maturity date in the equal value to the repurchase value, Bank Indonesia shall sell or make an early redemption of the Bank's securities based on the power of attorney submitted by the Bank to Bank Indonesia.

C. Sanction imposition mechanism

Sanction imposition mechanism shall be used in the event of violation of provisions by banks, including the type of sanctions, namely a written reprimand; and/or a financial penalty with a particular calculation.

III. Closing

Operational rules of this Bank Indonesia Regulation shall be further set forth in Bank Indonesia Circular Letter.